



Claire McCaskill

Missouri State Auditor

February 2005

Office of Lieutenant Governor

Period July 1, 2004
to January 10, 2005,
and the Year Ended
June 30, 2004



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2005

The following findings were noted as a result of an audit conducted by our office of the Office of Lieutenant Governor.

On November 15, 2000, Joe Maxwell was sworn in as the forty-fifth Lieutenant Governor of the state of Missouri. His term expired January 2005. On January 10, 2005, Peter Kinder was inaugurated as the forty-sixth Lieutenant Governor of the state of Missouri.

The following report of the Office of the Lieutenant Governor reflects audited financial statements dating from July 1, 2004 through January 10, 2005, and the fiscal year ended June 30, 2004.

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YELLOW SHEET

OFFICE OF LIEUTENANT GOVERNOR

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Joe Maxwell
and
Honorable Peter Kinder, Lieutenant Governor
Jefferson City, MO 65102

We have audited the accompanying Statements of Appropriations and Expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor for the period July 1, 2004 to January 10, 2005, and the year ended June 30, 2004. These financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the state's legal budgetary basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the appropriations and expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor for the period July 1, 2004 to January 10, 2005, and the year ended June 30, 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 18, 2005, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

January 18, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Norma L. Payne
Audit Staff:	Zeb Tharp
	Ali Arabian



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS**

Honorable Joe Maxwell
and
Honorable Peter Kinder, Lieutenant Governor
Jefferson City, MO 65102

We have audited the financial statements of the Office of Lieutenant Governor for the period July 1, 2004 to January 10, 2005, and the year ended June 30, 2004, and have issued our report thereon dated January 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Office of Lieutenant Governor, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of Lieutenant Governor are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Office of Lieutenant Governor and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

January 18, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2004 TO JANUARY 10, 2005

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND-STATE				
Personal service	\$ 350,918	172,428	0	178,490
Expense and equipment	62,875	20,910	536	41,429
Total General Revenue Fund-State	\$ 413,793	193,338	536	219,919

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2004

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND-STATE			
Personal service	\$ 334,982	316,404	18,578
Expense and equipment	69,811	60,392	9,419
Total General Revenue Fund-State	<u>\$ 404,793</u>	<u>376,796</u>	<u>27,997</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule 1

OFFICE OF LIEUTENANT GOVERNOR
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	2004	2003	2002	2001	2000
Salaries and wages	\$ 316,404	314,431	308,046	300,808	296,663
Travel, in-state	11,861	12,441	6,594	6,196	8,095
Travel, out-of-state	300	163	650	4,901	4,183
Supplies	5,518	13,156	9,331	10,046	2,666
Professional development	945	2,942	3,429	3,329	2,030
Communication services and supplies	7,326	8,263	8,420	8,493	5,465
Services:					
Business	0	2,492	0	5,828	661
Professional	567	461	4,453	0	1
Housekeeping and janitorial	0	0	0	1,874	2,652
Maintenance and repair	1,626	697	1,565	534	0
Equipment maintenance and repair	0	0	0	0	945
Computer equipment	3,696	18,796	1,958	18,883	30
Motorized equipment	18,930	0	0	0	601
Office equipment	8,846	1,369	1,126	16,483	370
Other equipment	0	3,355	0	1,050	0
Equipment rental and leases	777	573	4,005	293	0
Equipment lease payments	0	0	0	0	347
Building and equipment rentals	0	622	0	5,456	5,868
Miscellaneous expenses	0	65	66	57	0
Total Expenditures	\$ <u>376,796</u>	<u>379,826</u>	<u>349,643</u>	<u>384,231</u>	<u>330,577</u>

Note: Certain classifications of expenditures changed during the five-year period, which may affect the comparability of the amounts.

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS

	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2003	\$ 102,411	0	102,411
Additions	12,542	18,930	31,472
Dispositions	(16,558)	0	(16,558)
Balance, June 30, 2004	98,395	18,930	117,325
Additions	0	0	0
Dispositions	(2,140)	0	(2,140)
Balance, January 10, 2005	\$ 96,255	18,930	115,185

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF LIEUTENANT GOVERNOR
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for the General Fund-State of the Office of Lieutenant Governor.

Appropriations, presented in the Exhibits, are not separate accounting entities. They do not record the assets, liabilities, and equity or other balances of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Appropriations and Expenditures, Exhibit A, are presented on the state's legal budgetary basis of accounting. Expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations. For the period ended January 10, 2005, expenditures include amounts payable at January 10, 2005, including payroll earned through December 31, 2004, for all employees, plus the final payroll and accrued annual leave amounts payable to employees terminating on January 10, 2005. Encumbered amounts are reported as encumbrances.

However, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the 2-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The budgetary basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the General Revenue Fund-State. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least 1 year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation incentive amount.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit A.

2. Uncommitted Appropriations—Fiscal Year 2005

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at January 10, 2005.

Note to the Supplementary Data:

3. General Capital Assets

General capital assets are recorded at cost in the general capital assets account. General capital assets are depreciated on a straight-line basis using various useful life classifications and a salvage value of zero. Accumulated depreciation on general capital assets at January 10, 2005 and June 30, 2004, was approximately \$78,882 and \$73,369, respectively.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

OFFICE OF LIEUTENANT GOVERNOR
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Lieutenant Governor, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended June 30, 2003. Although the unimplemented recommendation is not repeated, the office should consider fully implementing this recommendation.

1. Expenditure Procedures

- A. Expenditures were not always charged to the most appropriate object codes.
- B. Some similar expenditures were not consistently coded to the same object code. Flight operations for state plane usage were normally charged to aircraft rental. However, a state plane flight was charged to in-state commercial transportation.

Recommendation:

The Office of Lieutenant Governor ensure expenditures are charged to the most appropriate object codes and similar expenditures are consistently charged to the same code.

Status:

Partially implemented. Although we noted improvement in properly classifying expenditures, we identified two expenditures, totaling over \$750, that were not charged to the most appropriate object code. In addition, two state plane flights, totaling \$1,950, were coded to aircraft rentals when all other charges were coded to in-state commercial transportation. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Capital Asset Records and Procedures

- A. Capital asset duties were not adequately segregated. The individual who maintained the records of capital assets was also responsible for performing the physical inventory.
- B. An annual statement of changes in capital assets was not prepared. In addition, a complete list of all additions and dispositions was not maintained, and capital asset purchases were not routinely reconciled to the property additions recorded on the state accounting system.
- C. Capital asset records did not always include complete descriptions, accurate locations and acquisition costs and dates, and model and serial numbers, where applicable.

Recommendation:

The Office of Lieutenant Governor:

- A. Ensure an individual independent of the record keeping and custodial functions perform the physical inventory.
- B. Prepare an annual statement of changes in capital assets and account for all acquisitions and dispositions. In addition, capital asset purchases should be reconciled to the capital asset records on a periodic basis.
- C. Ensure complete and accurate capital asset records are maintained.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF LIEUTENANT GOVERNOR HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a four-year term.

Under the constitution, the lieutenant governor serves as the ex officio president of the Missouri Senate. In addition, upon the governor's death, conviction, impeachment, resignation, absence from the state or other disabilities of the governor, the powers, duties and emolument of the governor devolve upon the lieutenant governor until the end of the term or until the disability of the governor is removed.

By law, the lieutenant governor serves as a member of the Board of Fund Commissioners, the Board of Public Buildings, the Missouri Development Finance Board, the Missouri Housing Development Commission, the Missouri Rural Economic Development Council, the Second State Capital Commission, the Special Health, Psychological and Social Needs of Minority Older Individuals Commission, the Board of Unemployment Fund Financing, and the Statewide Safety Steering Committee.

The lieutenant governor is the chair of the Commission for the Missouri Senior RX Program and Missouri Tourism Commission and co-chairs the Personal Independence Commission. He also serves as an advisor to the Department of Elementary and Secondary Education on early childhood education and the Parents-as-Teachers program. The lieutenant governor also serves as the state's official advocate for Missouri's elderly.

On November 15, 2000, Joe Maxwell was sworn in as the forty-fifth Lieutenant Governor of the state of Missouri. His term expired on January 10, 2005. On that date, Peter Kinder was inaugurated as the state's forty-sixth Lieutenant Governor.

At January 10, 2005, the office employed six full-time employees and one part-time employee. An organization chart follows.

OFFICE OF LIEUTENANT GOVERNOR
ORGANIZATION CHART
JANUARY 10, 2005

